

# INNOVATION, INVESTMENT, COLLABORATION

# A STATEWIDE ACTION AGENDA FOR ECONOMIC VITALITY FROM CALIFORNIA'S REGIONAL LEADERS



prepared by

California Center for Regional Leadership

on behalf of

## Governor Schwarzenegger's Cabinet



in partnership with

Pacific Gas and Electric Company  
Bank of America



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FEBRUARY, 2005

*"We must restore the State's business climate. Creating and retaining jobs – and the businesses that provide them – must be a priority of this Legislature. Jobs provide a solid foundation for families. Jobs add revenue to the state budget. Jobs give stability to our society. Jobs. Jobs. Jobs. The more jobs the better."*

-- Governor Schwarzenegger, January 6, 2004 State of the State Address

### Acknowledgements

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CALIFORNIA CENTER FOR REGIONAL LEADERSHIP

Governor Schwarzenegger's election in October 2003 signaled a dramatic focus on the condition of California's economy and prospects for the State's future economic prosperity. California is a dynamic and global economic leader, with the fifth largest economy in the world. Our economy is blessed with having highly entrepreneurial business leaders who put a premium on innovation and productivity; extraordinary intellectual capital, in our workers (our "knowledge workers"), universities and research institutions; and a high quality of life. California's economy is the envy of other states and countries, if we can keep it.

California's economy is actually comprised of diverse regional economies, driven by a portfolio of industry clusters and supported by the "businesses of place" that provide the goods and services for our communities. Healthy and productive regional economies will result in a vital and sustainable state economy. Even throughout the recent recession, productivity and job growth advanced in most of the State's regions, and as serious as was the .com bust, it was highly localized. However, for the long-term, the State's economic success is impacted by many internal and external factors - including global economic restructuring, a budget crisis, lagging investment in critical human and physical infrastructure, and the costs of doing business.

Governor Schwarzenegger has reached out to Californians for help on many issues, on a quest for the best ideas and broad support. Economic Vitality Conversations were convened at the state and regional levels as part of this effort. The initial Statewide Economic Vitality Conversation, in December 2003, involved the entire Cabinet and statewide business, labor, government and civic leaders. This was followed by three additional statewide Economic Vitality Conversations.

At the request of the Cabinet, the California Center for Regional Leadership (CCRL) brought together our Regional Collaborative partners and other business and community leaders to advise the Governor on the highest priority economic strategies and actions, for the short-term and long-term, and to ensure that the full flavor and force of regional economic diversity is represented. CCRL and partners convened twelve regional Economic Vitality Conversations, raising the question: how can the State, in partnership with the regions, best foster and sustain economic prosperity by: 1) improving the State's business climate and economic vitality in the immediate future; and 2) enhancing the State's competitiveness and comparative advantage in a dynamic global economy over the long-term. Cabinet Secretaries or Undersecretaries attended and moderated all the Economic Vitality Conversations, demonstrating the importance placed on these issues and their interest in region-based priorities and approaches.

These Conversations are the basis of this report, which provides recommendations for State actions on issues of statewide significance that will help the regions. We are grateful for the opportunity to be of assistance. Gubernatorial leadership on long-term economic strategy is as powerful as it is rare, and California is fortunate to have a Governor and Cabinet with such a commitment. It's a new day for state leadership in support of regional economic success...but it's still early in the day. We hope and trust that this report will contribute to the Governor and Cabinet's consideration of action strategies to ensure California's long-term prosperity and quality of life for all our people. We look forward to helping state government take action toward that end.

Nick Bollman, President and CEO  
California Center for Regional Leadership



# INNOVATION, INVESTMENT, COLLABORATION

## A STATEWIDE ACTION AGENDA FOR ECONOMIC VITALITY FROM CALIFORNIA'S REGIONAL LEADERS

### EXECUTIVE SUMMARY

#### *Introduction*

For the past year, most of the discussion about California's economy has focused on the State's slow recovery from the recession that began in 2000, job losses in the manufacturing sector, and pressing cost-related business climate issues such as the workers' compensation system. This discussion has centered on statewide issues and potential solutions. However, the California economy is made up of many diverse regional economies. Each regional economy has different key industries, different workforce and infrastructure challenges, different demographics, and a different view of critical issues for their regional economy. These realities require more focused, bottoms-up approaches - rather than one-size fits all solutions driven from the State down to the regional and local levels.

The California Center for Regional Leadership (CCRL), on behalf of Governor Schwarzenegger's Cabinet, convened twelve regional Economic Vitality Conversations in 2004. Addressing both statewide and region-specific competitiveness issues, these Conversations brought forth hundreds of compelling ideas for state leadership strategies and actions, for the short- and long-term. CCRL recorded and summarized these ideas, and reviewed them with three cross-regional groups of business and civic leaders, economists, university representatives, and other economic development experts. (See [www.calregions.org](http://www.calregions.org) for the summary document.)

This report presents the results of these regional Economic Vitality Conversations. It encompasses a set of guiding themes and the highest priority ideas, outlined as an Action Agenda for the coming year. The Action Agenda contains recommendations for State actions that regional leaders agree would help them advance their regional economies by addressing common issues of statewide significance. It is hoped that the State will embrace the creative and collaborative contributions of the regional leaders, to support and complement other actions on which the Administration has already provided significant leadership.

#### *Key Common Regional Economic Vitality Themes*

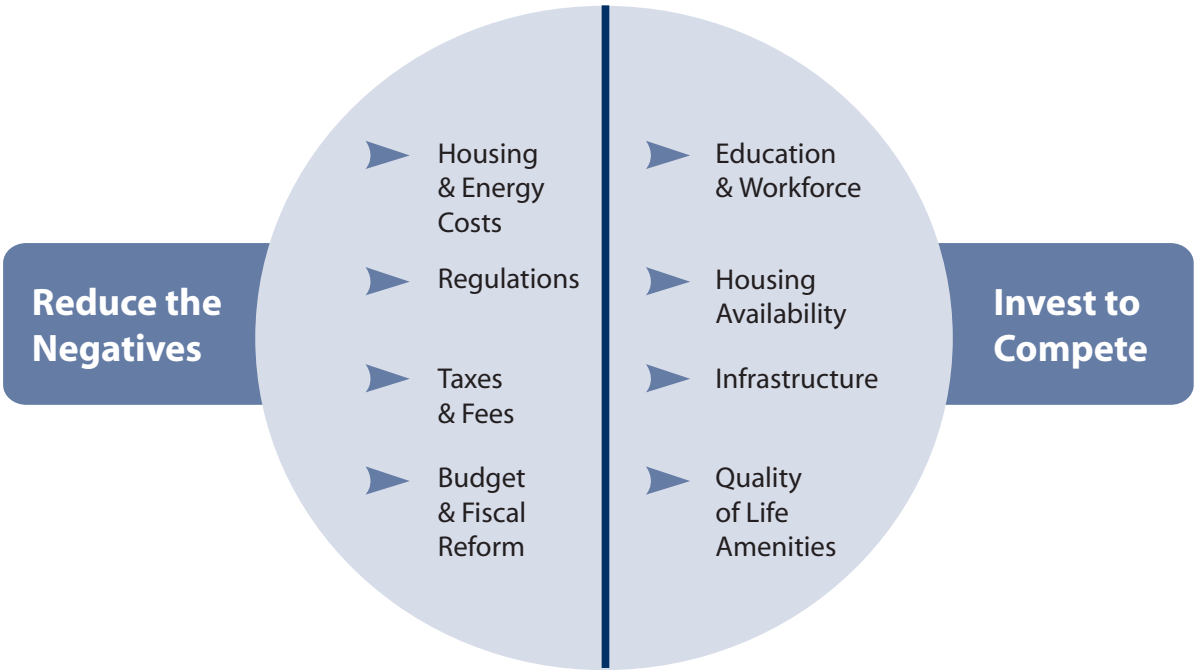
While each region has specific economic needs and priorities, there are common issues across the regions that would benefit from concerted State efforts. Overall, Regional Economic Vitality Conversation participants emphasized the need for a two-pronged approach to achieve and enhance California's economic prosperity. Most attendees were strongly supportive of the Governor's programs to reduce business costs and streamline regulatory processes. There was widespread approval for actions to reduce workers' compensation costs and energy and housing costs, and to re-examine regulations to ensure that they are providing benefits commensurate with their costs.

Many attendees, including the economists, university representatives, and economic development experts, also focused on increasing the State's investment in people, infrastructure, and communities. They noted that California's basis for competing in the global economy, and the comparative advantage of leading industries, is rooted in the high quality of the State's intellectual, institutional, and place-based assets rather than low costs. This economic climate demands that California must continually "invest to compete."

This report calls the two-pronged approach the “Complete Business Climate Strategy.” The objective is to REDUCE THE NEGATIVES and INVEST TO COMPETE. For example, housing was cited as a serious challenge in every conversation and is a cross-cutting competitiveness issue. California’s housing costs are dramatically higher than elsewhere in the nation and housing availability is threatened by a variety of fiscal, regulatory, and community forces. Thus, California needs a two-pronged housing strategy - reducing negatives (removing barriers) and redirecting incentives to support increased housing production, benefiting workers, communities, and the economy.

These and other key common themes are summarized below, followed by a list of priority Action Recommendations.

### The Complete Business Climate



KEY COMMON REGIONAL ECONOMIC VITALITY CONVERSATION THEMES	
California Assets	Emphasize and Promote the Positives - California has outstanding and unique assets that have been long in the making. Innovation, entrepreneurship, and intellectual talent are the hallmarks, along with a rich legacy of precious natural resources and places.
Demographics and Growth	Enormous changes are occurring through demographic transition and growth. These changes must be fully understood to plan better for the future.
Broad View of a Healthy Business Climate	California’s economy is driven by innovation and productivity. A “Complete Business Climate Strategy” means reducing the negatives - mitigating cost factors, and increasing the positives - adding productivity factors: investing in the workforce, housing, infrastructure - with transportation as a high priority, and quality communities.
Structural Reform	Reforming the state-local fiscal relationship and addressing the structural budget deficit are the foundations for a healthy economy and cannot be deferred. They require the leadership of the Governor and the Legislature.

## KEY COMMON REGIONAL ECONOMIC VITALITY CONVERSATION THEMES, CONT'D

<b>Existing Employers</b>	Retaining existing employers is the first priority, by improving the business climate. The best attraction strategy is retention of existing businesses, with special attention to the needs of small business, which represents more than half of all employees and the majority of total net job growth.
<b>Industry Clusters</b>	These are the drivers of economic growth and prosperity. Focus strategically on important regional and cross-regional traded industry clusters, including emerging areas of opportunity, but be able to respond to a dynamic global economy that, in turn, affects business models and markets. They are the basis for the State's strategy.
<b>Workforce</b>	Workforce is a top competitiveness priority - nothing is more critical than investing in human capital. Universities and research centers are the pipeline for innovation and commercialization of new technologies and knowledge workers. Education and training increases wages, allowing workers to improve their standard of living.
<b>Investment Priorities</b>	Identify priorities for State investments, leveraging multiple benefits to produce the best return on investment. Research and innovation are the bedrock of California's economic comparative advantage.
<b>Government Streamlining</b>	Focus on customer service and remove barriers to innovation. Focus on accountability and outcomes.
<b>State of the Regions</b>	Policies and investments must account for regional differences, needs and opportunities. Implementation happens at the local level. There must be a strong, well-structured collaboration between the State and the regions, leveraging existing networks.
<b>Good Information</b>	The basis for effective policies and decision-making is a systemic and ongoing analysis and understanding of the changing California economy, enhanced by the first-hand knowledge of regional leaders.
<b>Economic Vitality Conversations</b>	Continue the process of outreach and consultation. Focus on specific issues.

### *Action Agenda Recommendations*

The following is a short list of Action Recommendations, derived from a more comprehensive set of ideas outlined in the body of this Report, which could comprise the core of a region-based statewide Action Agenda for 2005. They meet the criteria suggested by regional leaders that the Administration focus on a select number of key priorities: a blend of those that can result in early victories, building trust and credibility, and those that are important long-term challenges that must show progress in the short-term. They want to focus on the high leverage initiatives that can move us ahead for the next 10-20 years, based on fostering research and innovation and fixing the things that stop us from moving forward.

Participants stressed that good first steps have been taken by the Administration. However, there must be continued improvement in areas such as workers' compensation reform, health care, K-12 education, and energy - as immediate needs - to spur increased investment and growth and allow the California economy to achieve its potential.

## ECONOMIC VITALITY CONVERSATION ACTION AGENDA RECOMMENDATIONS

Promotion of California	<ul style="list-style-type: none"> <li>• Focus on existing businesses, complemented by a focused external strategy. California high quality assets should be the core component of marketing and image building.</li> <li>• Focus and leverage the Governor's time most effectively.</li> <li>• State marketing efforts should support and align local and regional efforts and sell the regions of California.</li> <li>• Attract and retain the "brains" - the scientists and researchers who will be the innovators of our future.</li> </ul>
Critical Industries	<ul style="list-style-type: none"> <li>• Institutionalize the process of identifying growing industry clusters of opportunity with quality jobs, and focusing state and regional resources on those clusters. The California Regional Economies Project provides the foundation to better understand regional industry dynamics and target economic development resources most effectively.</li> <li>• Promote collaboration with and among research institutions and others, including National Labs and business and community partners; support U.C. Centers of Excellence; facilitate commercialization of technologies. Develop a State R&amp;D Strategy.</li> <li>• Reinstate but better target/focus the Manufacturing Investment Credit (MIC); assess caps on the MIC and Research &amp; Development (R&amp;D) tax credits.</li> </ul>
Education and Workforce Development	<ul style="list-style-type: none"> <li>• Articulate the vision for a true seamless workforce development "system." Empower the California Workforce Investment Board and partners to develop a plan and policy priorities that support local workforce development programs.</li> <li>• Identify critical skills gaps for key industries of opportunity through the institutionalized research and analysis process; target State funds strategically for training; promote public-private partnerships (business, universities, labor, and government) to meet training needs and embrace life-long learning and training for the workforce.</li> <li>• Promote collaboration with the California State University system and network of Community Colleges.</li> </ul>
Growth and Infrastructure Planning and Investment	<ul style="list-style-type: none"> <li>• Create regional infrastructure plans linking jobs, housing, transportation, and land use; use these plans to determine State funding priorities. Develop guidelines and mechanisms to reward jurisdictions for collaboration on regional planning and development.</li> <li>• Address CEQA reform in all areas (housing, transportation, etc.), while maintaining high environmental quality.</li> <li>• Explore options for local "self-help" measures for infrastructure financing, including lowering the vote threshold from two-thirds.</li> <li>• Work with regional partners, especially the Councils of Government (COGs), on innovative financing solutions for major and high priority transportation infrastructure.</li> </ul>
Housing	<ul style="list-style-type: none"> <li>• Take all measures necessary to assure a sufficient supply of decent, affordable housing.</li> <li>• Address prevailing wage rates for construction - align the rates to regional conditions; determine residential rates for residential development.</li> <li>• Support a swap of local property and sales taxes as an incentive for increased housing production and better local land use decisions.</li> </ul>
Economic Leadership Network	<ul style="list-style-type: none"> <li>• Support the regions in preparing and implementing economic strategies, building up to a state strategy that is focused on the needs and opportunities of industry cluster drivers.</li> <li>• Continue the California Regional Economies Project to provide essential economic and workforce data.</li> </ul>
Federal Agenda	<ul style="list-style-type: none"> <li>• Organize the California Congressional Delegation for strong leadership and coordinate efforts to obtain California's "fair share," including waivers and other beneficial actions.</li> <li>• As a high priority, the Delegation should work with state leaders to promote federal research funding for California. One of our major assets is intellectual infrastructure, and the federal government plays a major role in supporting this infrastructure and stimulating innovation in such areas as NIH funding for biomedical research, and NASA and DOE for nanotechnology and alternative energy research.</li> </ul>



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### PURPOSE AND PROCESS OF THE REGIONAL EVCs

The election of Governor Arnold Schwarzenegger in the fall of 2003 brought immediate and high level attention to the condition of the State's economy. To assist the State of California in formulating approaches to economic recovery, Governor Schwarzenegger's Cabinet convened an Economic Recovery Conversation in December 2003 with business and civic leaders and economists from throughout the State. The event was organized by the Business, Transportation and Housing Agency and facilitated by Secretary Sunne Wright McPeak. The purpose of the Conversation was to reach out and generate solutions and strategies for short-term recovery, while improving the State's long-term competitiveness and comparative advantage.

Almost all Cabinet Secretaries attended this meeting, including Secretary Kim Belshé (Health and Human Services Agency), Secretary Victoria Bradshaw (Labor and Workforce Development Agency), Secretary Michael Chrisman (Resources Agency), Secretary Rod Hickman (Youth and Adult Corrections Agency), Secretary Richard Riordan (Department of Education), and Secretary Terry Tamminen (Environmental Protection Agency), as well as Special Advisors to the Governor, David Crane and Bonnie Reiss. This demonstrated the Governor's strong commitment to the economy and understanding that all government agencies have an impact in some way on the health of the State's economy. Three additional statewide conversations were held with regional and local government officials, economic development and workforce professionals, and those involved in rural development issues.

To broaden the scope of outreach and acknowledge the different economic challenges and opportunities that exist throughout the State's diverse regions, the Cabinet requested that the California Center for Regional Leadership (CCRL) convene a series of regional conversations, working through its network of Regional Collaboratives and other regional and local partners. CCRL conducted twelve Regional Economic Vitality Conversations between March and November 2004. The purpose of these Economic Vitality Conversations was to discuss and make recommendations for actions that would support the economic health and quality of life for the regions, thus contributing to the overall vitality of California.

These conversations were facilitated by Agency Secretaries, Undersecretaries, and Deputy Secretaries, including Secretaries McPeak, Aguiar (State and Consumer Services Agency), Bradshaw, Chrisman, Johnson (Department of Veteran Affairs), and Kawamura (Department of Food & Agriculture). (See Appendix A for a complete list of regional meetings and participation by the Cabinet.)

The strategic priorities and recommended actions identified during the Economic Vitality Conversations were generated through discussion around three questions the participants were asked to address:

- What state actions will have the most immediate positive impact on California's economic recovery?
- What state actions will result in the most significant long-term improvement to California's economic competitiveness and comparative advantage?
- How do we best structure an effective partnership between the Regions and the State around economic strategy?

Participants responded with written comments to these questions in advance of the Conversations and in person at the event. Each Conversation included an overview of the Governor's Five Point Recovery Plan, and a presentation by a distinguished economist to provide current economic information and a common framework for discussion (see Appendix B for a list of the economists and [http://www.calregions.org/statepolicy/regional\\_conversations.html](http://www.calregions.org/statepolicy/regional_conversations.html) for their presentations). This approach was intended to foster a discipline of intellectual integrity with peer review of data and concepts.

CCRL organized into a draft report the hundreds of statewide and regional actions recommended by Economic Vitality Conversation participants. Presented as *Economic Vitality Action Recommendations, Regional Perspectives for Statewide Prosperity* (see [www.calregions.org](http://www.calregions.org) for the report); the results were reviewed by a cross-section of more than forty of the participants of the Regional Economic Vitality Conversations in three meetings held during the last week of October 2004 in San Francisco, Stockton, and Orange County. Other reviewers provided comments as well. CCRL synthesized this feedback into high-level priorities for action in the coming year, as well as for longer-term structural challenges that should be addressed by the Governor in partnership with the Legislature and other stakeholder groups. While there are distinctions within the regions, this Report's recommendations reflect the general consensus across the regions regarding those State actions that would help the regions by addressing issues that are commonly shared.

## **California - Open for Business**

At each Economic Vitality Conversation, Cabinet members emphasized that a high priority of the Governor has been to restore the fiscal soundness of the State's budget and to communicate that California is "open for business." They described the Governor's economic plans and progress to date, including a significant reduction in the outstanding budget deficit, although more "heavy lifting" is needed to end the structural deficit. As part of his initial efforts, the Governor developed a Five-Point Plan for Economic Recovery, a series of immediate actions to improve the State's business climate and foster strategic economic development. The components are:

- Develop a fair and competitive tax structure that encourages growth and job creation.
- Solve the energy cost crisis.
- End litigation lottery - reform BPC Section 17200 (tort reform).
- Fix runaway workers' compensation costs.
- Cut bureaucratic red tape and regulation.

Working on multiple fronts, Cabinet members reported progress in several areas. Among the more noteworthy "works-in-progress" are the reversal of rapidly increasing workers' compensation fees and the systematic review of State government operations through the California Performance Review (CPR), to achieve efficiencies in operations and better services to the public, thereby reducing the need for additional cuts in services or increases in revenues.

The Governor created the position of Special Advisor on Jobs and the Economy, reporting directly to him, along with a Commission on Jobs and Economic Growth comprised of high-level business leaders from throughout the State. The Commission's role is to identify and remove barriers to increasing employment and doing business in California, assist employers interested in expanding in California or at risk of leaving the State, and help promote California products, services, and destinations to national and international markets. Initial accomplishments include the retention and expansion of several firms in partnership with local economic development organizations, attraction of new employers, and the launching of a marketing campaign.

The Governor also appointed a Council of Economic Advisors, chaired by former Secretary of State George Schultz, to "assist him in confronting the economic challenges facing the State in addition to identifying economic opportunities in California." The Governor has led high-profile marketing activities to communicate his message.

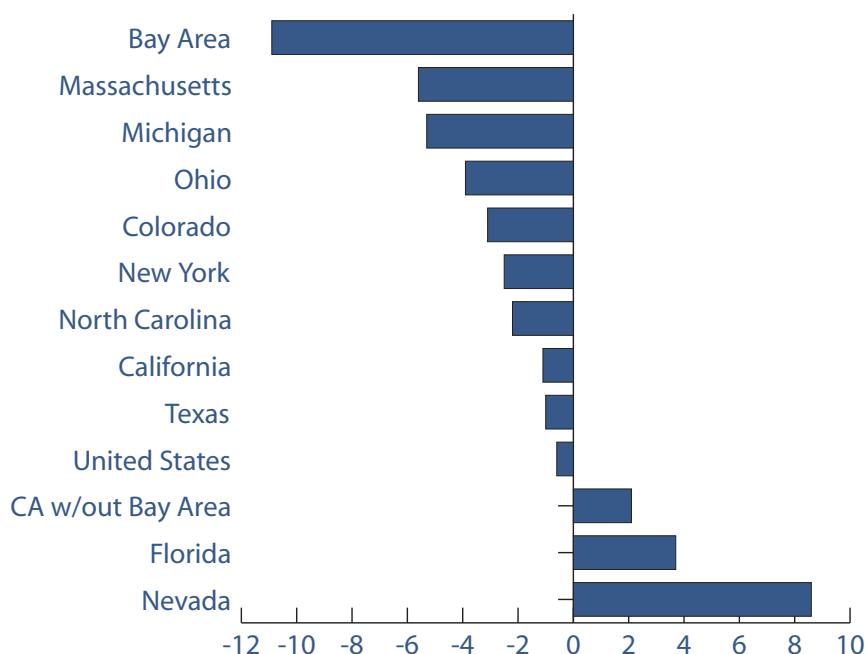
## STATE OF THE STATE'S ECONOMY – OUR OPPORTUNITY IS NOW

The Regional Economic Vitality Conversations looked at the State's economy through a regional lens, framed by data presented by leading economists (see Appendix B for a list of presenters and [http://www.calregions.org/statepolicy/regional\\_conversations.html](http://www.calregions.org/statepolicy/regional_conversations.html) for their presentations) and supplemented with information from the California Regional Economies Project (see [www.labor.ca.gov](http://www.labor.ca.gov)). The California Regional Economies Project was initiated in 2003 as a partnership of the California Workforce Investment Board and the California Economic Strategy Panel (under the aegis of the Labor and Workforce Development Agency) to provide an ongoing and systematic analysis of California's nine regional economies.

These presentations showed that almost all regions except for the Bay Area (and Los Angeles County in the Southern California region) added jobs from March 2001 through September 2004. The Bay Area lost a higher percentage of pre-recession jobs than any state, but the rest of California outperformed the nation.

### Growth in Nonfarm Wage and Salary Jobs

Percent Change March 2001 – September 2004

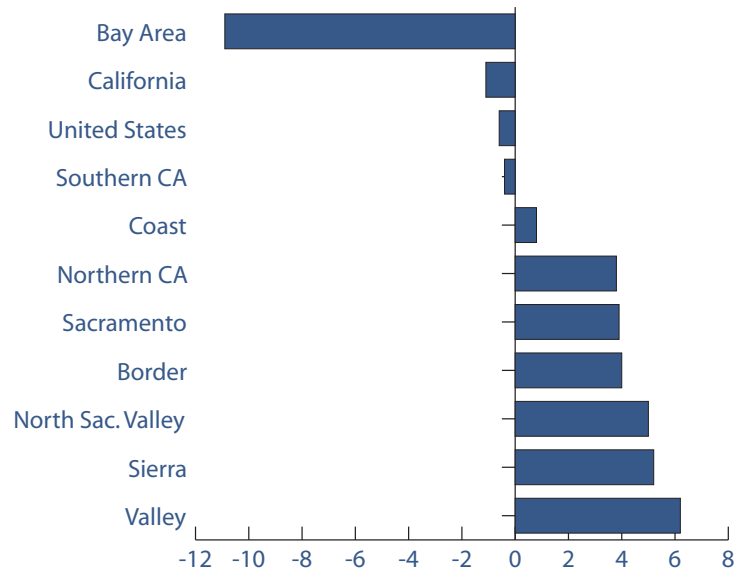


Source: U.S. Bureau of Labor Statistics, Center for Continuing Study of the California Economy

Each of the nine regional economies is distinct, with different job growth rates, different economic bases, and different trends with regard to income, unemployment, and poverty. For example, in spite of high levels of job loss, the Bay Area average wage is the highest in the State. Despite having the largest rate of job growth, the Central (San Joaquin) Valley is the most economically depressed region in the United States, with high rates of poverty, low per capita income, and lower rates of educational attainment. The State's other rural regions also lag in these categories. There are disparities within the regions as well, with unbalanced growth in high and low paying job creation in several regions.

## Growth in Nonfarm Wage and Salary Jobs: California's Regions

Percent Change March 2001 - September 2004

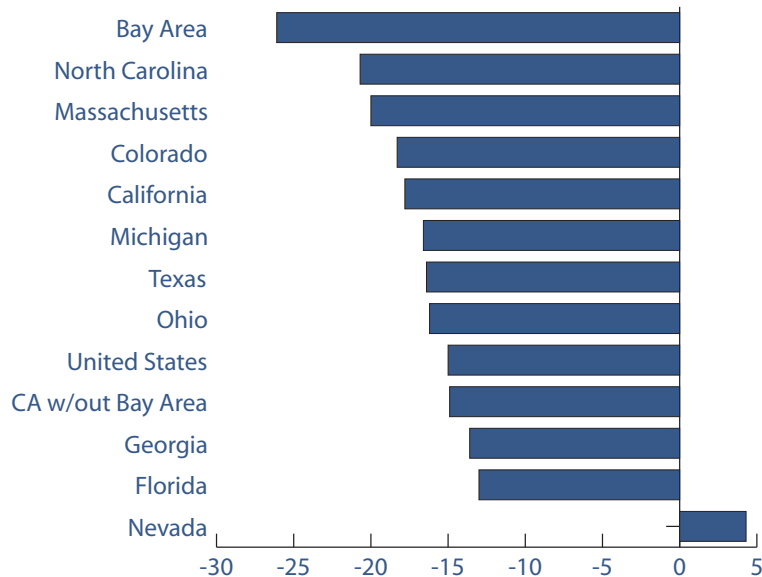


Source: U.S. Bureau of Labor Statistics, Center for Continuing Study of the California Economy

California and the nation have lost a substantial number of manufacturing jobs in recent years. The Bay Area performed worse than the nation as a result of the region's large concentration of high-tech jobs. Even with the loss of a large number of manufacturing jobs in Los Angeles, the rest of California performed comparable with the nation. Most manufacturing jobs did not "go" anywhere. They were lost to higher productivity and slowing sales, both domestically and abroad. During the period when California lost 300,000 manufacturing jobs (March 2001 - September 2004), Nevada added a net gain of 1,800 manufacturing jobs.

## Growth in Manufacturing Jobs

Percent Change March 2001 - September 2004



Source: U.S. Bureau of Labor Statistics, Center for Continuing Study of the California Economy

Data is not available to determine how much of the gross job gain in Nevada was due to migration of California firms or operations. However, a 2004 report by the Keystone Group analyzed the status of California's manufacturing industry for the somewhat earlier time period between 1999 and 2002. It showed a loss of more than 261,000 manufacturing jobs, with approximately eight percent of the total (20,900 jobs) due to migration of firms or operations to other states. Nevada gained 292 jobs. The state with the largest gain was New York, considered to be a high cost state, with almost 5,000 jobs.

Other highlights of the California Regional Economies Project analyses that helped to frame the Economic Vitality Conversations in conjunction with the specific regional economic overviews. Those relevant to the policy recommendations are summarized in the following chart:

### Key Findings of the California Regional Economies Project

- Economic restructuring is taking place in every region, but differences across regions need to be understood.
- Industry clusters of opportunity exist in every region and can be promoted through a variety of strategies, including development of a competitive workforce.
- Health and biomedical jobs are growing in every region and are creating new occupational opportunities, including in services and biomanufacturing; many of the opportunities are being created by convergence across several sectors.
- A transformation in the manufacturing "value chain" has been occurring. While direct production employment in manufacturing has been declining, logistics and design have been growing. Advanced logistics is a major driver in several regions and is extremely dependent on transportation investments of all types, including ports – also critical for international trade.
- There are emerging opportunities in rural areas based on quality of life experiences that build on natural historical and cultural places, and depend on foundations such as residential and community infrastructure and communications technology.
- Thriving through California's economic transition in a rapidly changing global economic environment requires thinking about the economy in new ways and engaging new partners – at both the State and regional levels.
- A "Complete Business Climate" approach requires a combination of reducing the negatives (mitigating the cost factors) and increasing the positives (adding productivity enhancing factors through investments).

Source: California Regional Economies Project

In their presentations, the economists noted that California's economy has always been driven by innovation and productivity. California is not a low business-cost state, and in the long run, California cannot compete by just lowering costs. The only way to compete and raise the standard of living is for the State to have an explicit "pro-innovation" strategy focused on productivity growth, which will lead in turn to increased prosperity. The most important role for State government is to create a strong foundation for this prosperity by focusing on the key factors of production - people, technology and research, and place - and creating an environment that encourages innovation and investment across California's regions. The State's role is to create fair and balanced regulatory and tax policies, and support the essential investments in human and physical infrastructure required to help all firms thrive over the long-term.



# Competing on Innovation

**Prosperity**  
*(rising real income per capita)*



**Productivity**  
*(increased output per worker)*



**Innovation**  
*(increasingly higher-valued products  
& services produced more efficiently)*

*Source: Collaborative Economics*

Recent job growth indicators, including those based on household surveys, show an increase in employment statewide. California has a strong existing position in several key sectors, including professional and business services, foreign trade, high-tech, tourism and entertainment. If the State can capitalize on these strengths, job growth in these sectors (many of which will provide high-wage jobs) will exceed the national average.

## A FRAMEWORK FOR CALIFORNIA'S PROSPERITY

To develop a long-term approach for sustained economic prosperity, the Business, Transportation and Housing Agency has used a conceptual framework for the Economic Vitality Conversations that is a vision for California's future, premised upon the requisite foundations for California's comparative advantage. The Vision builds upon the State's history of great creativity, entrepreneurial spirit, and unique high-quality assets.

### Vision for California's Future

- California is once again the Golden State of Opportunity and Promise.
- California is synonymous with Innovation, Creativity, and Enterprise.
- California is the frontier of Discovery and Ideas.
- California is world class in Quality of Life.
- California is the definition of a Prosperous Economy, Quality Environment and People Equity.

In this vision, California's vibrant economy attracts capital investment and generates high quality jobs with increased incomes and higher standards of living for all. **The foundations shown below are the building blocks of California's economic comparative advantage in global competition.**

### The Building Blocks of California's Economic Comparative Advantage



## Building Blocks of California's Economic Comparative Advantage

- **Research Excellence and Knowledge Base:** California is a knowledge-based economy; research universities and institutions are the idea factories and the wellspring of innovation for new businesses and jobs – the magnet for innovation.
- **Competitive-Advantage Industry Clusters:** Industry Clusters are the drivers of economic growth and prosperity. They are regional and cross-regional, and include aerospace, agriculture, biotechnology and biomedical manufacturing, design, entertainment, international trade, logistics, travel and tourism, and many more, including the convergence of industries such as biotech and information technologies.
- **Infrastructure and Smart Growth:** The basis for quality of life is achieved through investments in both human and physical infrastructure. The underpinning is more efficient use of land linked to housing, transportation, and jobs, in turn leading to more housing production, choice, and affordability; better mobility; conservation of natural resources and valuable habitat; and protected productive farmland. Quality of life includes a healthy environment; reliable, efficient, and environmentally sustainable supply of energy and water; high achieving schools and students; a workforce “system” linked to economic development; healthier people and cost-effective health care.
- **Efficient Government and Regulations:** Effective government supports healthy enterprise and serves the public well. Pathways include streamlining, improving performance, cutting red tape – creating a culture of accountability to the public, focused on outcomes and productivity.
- **Effective Governance and Civic Leadership:** Effective governance engages people, encourages individual responsibility and community cooperation, and provides stability for economic development through state, regional, and local collaboration.

As with the Governor's Economic Recovery Five-Point Plan, there are several initiatives underway in a number of these areas. The Economic Vitality Conversations urged that they continue to receive attention if progress is to be sustained.

## REGIONAL EVC THEMES AND ACTION RECOMMENDATIONS

The twelve regional Economic Vitality Conversations generated hundreds of action recommendations for the short- and long-term across many issue areas. These recommendations were organized into a series of summary matrices, identifying high-level policy issues, “actionable” recommendations, and other ideas. Many of the recommendations were repeated throughout the regions and by several participants at each of the meetings. The recommendations were further grouped as either statewide or region-specific and sorted by issue. Please refer to the companion report *Economic Vitality Action Recommendations, Regional Perspectives for Statewide Prosperity* ([www.calregions.org](http://www.calregions.org)).

The recommendations were reviewed at three cross-regional meetings and through additional consultations with Economic Vitality Conversation meeting participants and economic development professionals. The goal was to ensure that the ideas and issues had been adequately and correctly captured, to yield a set of policy and program priorities for an immediate Action Agenda - a blueprint for the coming year, and to identify further actions, such as funding and legislative options. Recommended actions reflect a commonality of interest across the regions, where State action would address issues of statewide significance that are regional priorities as well.

Overall, participants thought it was very important that the Conversations took place. They greatly appreciated the outreach by the Administration and the opportunity to meet with Cabinet members and representatives and provide input on regional and statewide economic priorities. In several regions, actions have already occurred as a result of the meetings, including ideas followed through by Cabinet members and regional participants.

Several participants asked what would be accomplished as a result of the meetings. “What comes next?” They urged the Administration to maintain its emphasis on the economy and attendant issues in the coming year, focusing on a select number of key priorities: a blend of those that can result in early victories, building trust and credibility, and those that are important long-term challenges.

### ***Common Themes***

The following chart summarizes the key common themes raised in the vetting process. The chart illustrates how the themes line up within the framework of the “Building Blocks of California’s Economic Comparative Advantage,” as noted in parentheses on the following chart.

## KEY REGIONAL ECONOMIC VITALITY CONVERSATION THEMES

<b>California's Assets</b> <i>(Research Excellence and Knowledge Base, Competitive-Advantage Clusters, Infrastructure and Smart Growth)</i>	<b>Emphasize and Promote the Positives.</b> California has outstanding and diverse assets: world class educational and research institutions, innovation (most venture capital firms and funding, most federal research dollars, most Small Business Innovation Research (SBIR) dollars and Small Business Administration (SBA) loans), workforce, communities, natural resources, and industries (e.g., biggest concentration of biotech and entertainment industry). California has the greatest number of fast growing companies, most ethnic-owned companies, and a huge market. California has <b>markets, money, innovation, and talent</b> . The challenge is to keep and enhance the State's competitive and comparative advantage.
<b>Demographics and Growth</b> <i>(Infrastructure and Smart Growth)</i>	Acknowledge the <b>demographic diversity</b> of the State and the enormous changes that are occurring through <b>growth</b> and demographic transition. Deal with the challenges of growth. Livable communities are an asset, yet current land use, infrastructure planning policies, the fiscal system, and insufficient funding have resulted in a systemic housing crisis, long commutes, loss of open space and valuable farm land, diminishing air quality and mobility, mounting infrastructure deficits, and other problems. <b>Housing is a serious challenge in every region.</b> Communities must be better planned for the future. Change the rules of the game to achieve better outcomes.
<b>Broad View of a Healthy Business Climate</b> <i>(All Building Blocks)</i>	State public-private sector approaches to economic vitality require a <b>broader perception of the economy</b> than the cost reduction/regulatory side - they must deal with the investment/entrepreneurism side as well. Address the cost of doing business and streamline regulations (government efficiency), but also invest in the workforce, housing, infrastructure - especially transportation and the ports, water and energy, technology and innovation (research and development), and livable communities. Equitable development (including older and poorer communities in the strategy) is essential.
<b>Structural Reform</b> <i>(Efficient Government and Regulations)</i>	Structural reform issues, including the state-local fiscal relationship, and budget, political, and tax reform, need to be addressed in a meaningful way. All economic development happens locally. The Governor can provide pivotal <b>leadership</b> for progress.
<b>Existing Employers</b> <i>(All Building Blocks)</i>	The first priority is <b>retaining existing employers</b> by improving the business climate. The best attraction strategy is retention of existing businesses, with <b>special attention to the needs of small business</b> , which represents more than half of all employees and the majority of net new job growth.
<b>Industry Clusters</b> <i>(Competitive-Advantage Industry Clusters, Research Excellence and Knowledge Base, Infrastructure and Smart Growth)</i>	<b>Focus strategically</b> on important regional and cross-regional industry clusters, including emerging areas of opportunity (e.g., biomedical, nanotechnology, and advanced logistics). Base strategies on sound economic research that is institutionalized. The foundation is being provided by the California Regional Economies Project. Focus on traded clusters that bring wealth into the regions and support other clusters. Housing, workforce preparedness, and infrastructure are all critical for retaining and growing these clusters. The clusters are the basis for the State's strategy.



KEY REGIONAL ECONOMIC VITALITY CONVERSATION THEMES, CONT'D	
<b>Workforce Preparation</b> <i>(Research Excellence and Knowledge Base)</i>	Workforce is a top priority. Nothing is more critical than <b>investing in human capital</b> . Education and training are the keys to higher wages and prosperity to achieve the “people equity” goal. Understand the demographic changes that are occurring to better address the needs of the future workforce. There are major disparities in our educational systems, especially K-12, and with the capacity of our workforce. Investments in California’s leading universities and research centers are critical - they are the pipeline for innovation, the commercialization of new technologies, and knowledge workers. A renewed emphasis on career technical education is necessary, as well as a commitment to life-long learning. The “academic” model must respond to the changing, dynamic needs of businesses competing in a global economy.
<b>Investment Priorities</b> <i>(All Building Blocks)</i>	Identify the priorities for State investment to produce the best return on investment. Focus on <b>innovation and leveraging</b> multiple benefits, taking a broad-based view of a healthy business climate.
<b>Government Streamlining</b> <i>(Efficient Government and Regulations)</i>	Streamline the permitting process – same goals, better processes. Emphasize “ <b>customer service</b> .” Focus on accountability and outcomes.
<b>State of Regions</b> <i>(Effective Governance and Civic Leadership)</i>	The relationship between the State and the Regions should not be top down. Policies and investments must account for <b>regional differences, needs, and opportunities</b> . <b>Implementation happens at the local level</b> . There is a large and active network in place in most regions of the State. The State and the regions must work together in a strong, well-structured, collaborative partnership.
<b>Economic Vitality Conversations</b> <i>(Effective Governance and Civic Leadership)</i>	Continue the process of <b>outreach and consultation</b> with regional leaders; maintain a recognized forum for communication and input: these are the collective voices to make change. Conversations could focus on specific issues in the coming year, as well as cover regions that were not included this year.

### ***Economic Vitality Conversation Action Recommendations - A Blueprint for 2005***

The following is a summary of the key recommended actions for the State to support regional economic prosperity, by issue area. This document does not address region-specific recommendations, but rather those that address significant issues common across the regions. (Please refer to the companion report referenced above for additional detail on both statewide and region-specific recommendations.)

The recommendations that follow are based on a comprehensive and integrated approach to achieving and sustaining economic vitality. As with the key themes, the recommendations are complementary to the “Building Blocks of California’s Comparative Advantage” as noted below in the chart. They are organized by priority topics and issue areas as they emerged through the meetings and vetting process. They tend to include more than one building block in each area. For example, growing critical industries requires research excellence and knowledge base, competitive-advantage industry clusters, and infrastructure and smart growth.

## ECONOMIC VITALITY CONVERSATION ACTION RECOMMENDATIONS

Topic	Issues	Priority Recommendations
<b>Promote California</b> <i>(All Building Blocks)</i>	<ul style="list-style-type: none"> <li>The message is good that "California is open for business." The Governor's leadership is extremely valuable.</li> <li>Businesses are watching to see how far the changes to address the business climate will go (cost and regulatory issues) and whether or not they will continue.</li> <li>How will the State address other important issues like housing, workforce, transportation, energy, and fiscal reform? These all affect the bottom line - the jury is still out to see if we will make progress in these areas.</li> <li>Existing businesses are often overlooked in marketing and outreach efforts, including small businesses, which are 99% of California's firms and the source of the total net increase in job growth.</li> </ul>	<ul style="list-style-type: none"> <li>California's high-quality assets should be a core component of marketing and image building for the State.</li> <li>The main focus of State marketing strategy should be on its efforts to strengthen existing businesses (internal), complemented by a focused external strategy. Existing businesses will be the best promoters of California.</li> <li>Focus and leverage the Governor's time most effectively in marketing to external targets.</li> <li>State marketing efforts should support regional and local efforts already in place and sell the regions of California.</li> <li>Attract and retain the "brains" - the scientists and researchers who will create the technologies for commercialization - the innovation drivers (stem cell research is a good example).</li> </ul>
<b>Reform Workers Compensation and the Health Care and Benefits System</b> <i>(Efficient Government and Regulations)</i>	<ul style="list-style-type: none"> <li>Workers' compensation reform efforts are a good start, but initial rate reductions are low; are savings being passed on to small businesses? This continues as a barrier to hiring employees. Significant reform is still needed.</li> <li>The health care system is in crisis - closing hospitals and emergency rooms, seismic retrofit costs, high costs of insurance, large number of uninsured. Health care is the crux of most labor and management disputes.</li> <li>Pension obligations are bleeding local governments and drawing funds away from capital expenditures and operating expenses.</li> </ul>	<ul style="list-style-type: none"> <li>The Administration should continue to work with stakeholders on reform of the workers' compensation system - what's next?</li> <li>The Administration should convene stakeholders to find solutions for health insurance coverage, and address the critical situation facing our hospitals and emergency rooms. This is a critical quality of life and business cost factor - if not addressed, the best and the brightest will not come to or stay in California.</li> <li>Find "win-win" pension reform strategies.</li> </ul>

## ECONOMIC VITALITY CONVERSATION ACTION RECOMMENDATIONS, CONT'D

Topic	Issues	Priority Recommendations
<b>Grow Critical Industries</b> (Competitive-Advantage Industry Clusters, Research Excellence and Knowledge Base)	<ul style="list-style-type: none"> <li>• A better understanding is needed of regional industry dynamics and what impacts particular industries - it's more than tax incentives (e.g., housing, workforce, mobility, air quality).</li> <li>• Funding is scarce and either resources need to be leveraged or new revenue sources identified for incentives (combination of incentives is important).</li> <li>• Incentives need to be targeted more strategically for important and emerging regional industry clusters. Ongoing research and analysis is required to identify the right mix and focus.</li> <li>• The State can leverage existing small business financing programs like community financial institutions doing SBA lending.</li> <li>• A better understanding is needed of the changing dynamics of international trade and California's role (consumer, producer, logistics, and distribution), and the impacts of the tax structure on this sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Institutionalize the process of identifying growing industry clusters and focusing state and regional resources on these clusters. The focus will vary depending on the cluster, rather than one-size fits all. The State's California Regional Economies Project provides a research and analytic foundation.</li> <li>• Promote collaboration with and among research institutions, including universities and national labs, business, community, and other partners. Support UC Centers of Excellence; facilitate commercialization of technology for new firms and quality jobs. Develop a State R&amp;D Strategy. These actions will allow us to gain a competitive edge in growing sectors and help to address critical regional challenges (i.e., air quality and transportation). Several regional initiatives are underway.</li> <li>• Strong leadership is needed on broader issues impacting industries, such as housing, transportation, air quality - these are as important as cost and regulatory issues.</li> <li>• Reinstate and better <u>target/focus</u> the Manufacturing Investment Credit (MIC).</li> <li>• Assess caps on the MIC and R&amp;D Tax Credit.</li> <li>• Refine and focus tools such as redevelopment, enterprise zones, and workforce resources as key business incentives.</li> </ul>
<b>Education and Workforce Development</b> (Research Excellence and Knowledge Base, Competitive-Advantage Industry Clusters, Efficient Government and Regulations)	<ul style="list-style-type: none"> <li>• A true seamless workforce development system is needed, from pre-school and K-12 through higher education, with skills acquisition and lifelong learning linked to economic development.</li> <li>• The K-12 education system needs reform and increased resources to rise beyond the current national rank of #34. Equity issues among school districts must be addressed.</li> <li>• Resources must be maintained and access provided for the university system.</li> <li>• More emphasis is needed for vocational education and apprenticeships (many models exist).</li> </ul>	<ul style="list-style-type: none"> <li>• The Administration should articulate a vision for the workforce development system and empower the California Workforce Investment Board and partners to prepare a strategy for this system, aligning resources and needs.</li> <li>• Identify skills gaps for key industries of opportunity (such as biomedical and health services and construction). The State's workforce investment funds should be targeted strategically to these areas, with an emphasis on quality jobs, career progression, and lifelong learning.</li> <li>• Support business/education/workforce/labor/civic partnerships, including industry intermediaries, to set priorities and develop regional and local strategies.</li> </ul>

## ECONOMIC VITALITY CONVERSATION ACTION RECOMMENDATIONS, CONT'D

Topic	Issues	Priority Recommendations
<b>Growth, Infrastructure, Planning and Investment</b> (Infrastructure and Smart Growth, Efficient Government and Regulations)	<ul style="list-style-type: none"> <li>Infrastructure financing needs are being transferred to user fees, mitigation fees, and other mechanisms or being seriously deferred.</li> <li>The ability to provide for local services needs to be protected. However, the current state-local fiscal system distorts land-use decision making toward retail uses and not housing or job creation, contributing to many significant problems including housing shortages, long commutes, poor air quality, and loss of open space and valuable farmlands.</li> <li>Transportation is a high priority for goods movement and mobility, job creation, air quality, the advanced logistics industry, and international trade. This infrastructure is a critical high priority regionally and is of statewide importance.</li> <li>There is little ability to generate funding for infrastructure.</li> <li>Valuable farmlands and open space need to be kept viable.</li> <li>Good models exist for regional collaboration.</li> </ul>	<ul style="list-style-type: none"> <li>Create regional infrastructure plans linking jobs, housing, transportation, and land use; the State should use these plans to determine funding priorities. Develop guidelines and mechanisms (including monetary and non-monetary incentives) to reward jurisdictions for collaboration on regional planning and development.</li> <li>Address the need for CEQA reform in all areas (housing, transportation, school construction, etc.) while maintaining environmental quality.</li> <li>Swap sales tax and property tax revenues to address the state-local fiscal relationship and improve local land use decision-making.</li> <li>Explore options for local "self-help" measures, including lowering the vote threshold below the current two-thirds level to provide for local infrastructure financing.</li> <li>The State should work with regional partners, especially COGs, on innovative financing solutions for major transportation infrastructure, including the ports.</li> <li>Reform Caltrans, especially through permit approval times, design/build approaches and other innovations.</li> <li>Identify areas where growth can occur and areas to protect. Provide consistency in areas designated for growth.</li> </ul>
<b>Housing</b> (Infrastructure and Smart Growth, Efficient Government and Regulations)	<ul style="list-style-type: none"> <li>There is a major and systemic crisis in housing production and affordability.</li> <li>Land and resources need to be used more efficiently in existing built areas through infill, better design, better density, and brownfields remediation (research shows build out in many areas is at continued low densities).</li> <li>Policymakers need to understand that "natural growth" communities are different from regions with high levels of commuters, immigration, etc. when determining land supply and housing production levels.</li> </ul>	<ul style="list-style-type: none"> <li>Swap property and sales tax revenues to address the state-local fiscal relationship and incentivize increased housing production.</li> <li>Address prevailing wage rates for construction - align the rates to regional conditions and determine residential rates for residential development (as opposed to commercial rates).</li> <li>Reform housing element law.</li> <li>Work with the business community to find solutions for workforce housing.</li> <li>Identify and create solutions for funding of affordable housing.</li> </ul>

<b>ECONOMIC VITALITY CONVERSATION ACTION RECOMMENDATIONS, CONT'D</b>		
<b>Topic</b>	<b>Issues</b>	<b>Priority Recommendations</b>
<b>Energy and Water</b> (Infrastructure and Smart Growth, Research Excellence and Knowledge Base, Efficient Government and Regulations)	<ul style="list-style-type: none"> <li>Reliability and cost are critical. Energy supply needs immediate attention.</li> <li>New technologies, i.e., desalination and renewable energy, have economic and environmental potential.</li> </ul>	<ul style="list-style-type: none"> <li>Establish state policy and strategies for both energy and water.</li> <li>Reinstate direct access, core/non-core customer choice procurement options.</li> <li>Ensure that utility rate regulations support economic development.</li> <li>Promote a demonstration model for new technologies, in partnership with University Centers of Excellence.</li> </ul>
<b>Governmental Reforms</b> (Efficient Government and Regulations)	<ul style="list-style-type: none"> <li>The California Performance Review is a good start. Reform efforts will increase accountability and public trust in government, and create service and operating efficiencies.</li> <li>Permits can be expedited while protecting environmental quality - models exist.</li> </ul>	<ul style="list-style-type: none"> <li>Implement streamlining and promote one-stop shops. A major focus is CEQA/NEPA and concurrency of permit process.</li> <li>Government should focus on customer service.</li> <li>Improve delivery of services - provide block grants at the local and regional levels.</li> <li>Develop benchmarks and focus on accountability and outcomes.</li> </ul>
<b>Economic Leadership Network</b> (Effective Governance and Civic Leadership)	<ul style="list-style-type: none"> <li>There needs to be better capacity for the State to collaborate with the regions on economic strategy. A more defined planning and implementation partnership is needed between the State and the regions, leveraging the existing network of regional and local organizations.</li> <li>State governance needs a better alignment with the realities of the economy, and more agility to respond to opportunities and needs. The State can play the role of facilitator and partner for the regions, including barrier removal - the role needs to be better defined.</li> <li>The State needs a region-based economic strategy.</li> </ul>	<ul style="list-style-type: none"> <li>The State should support the regions in preparing and implementing economic strategies, building up to the State strategy - collaborate with the California Economic Strategy Panel. Identify and focus on the needs and opportunities of industry cluster drivers. The State can help with economic research. State investments should align with regional priorities.</li> <li>Explore the potential for a public-private non-profit sector economic development organization that can guide and implement the State's overall economic development efforts and ensure that they are aligned with and support local efforts.</li> </ul>
<b>Federal Agenda</b> (Research Excellence and Knowledge Base, Infrastructure and Smart Growth, Effective Governance and Civic Leadership)	<ul style="list-style-type: none"> <li>California is a leading economic engine but is a donor state to the federal government in many areas.</li> <li>State legislators and the Congressional delegation are not focused collectively on such high priority issues as housing and transportation.</li> <li>Increased investment is needed in federal R&amp;D. The federal government plays a major role in supporting our intellectual infrastructure, one of our major assets, and in stimulating innovation.</li> </ul>	<ul style="list-style-type: none"> <li>The State should organize the California Congressional Delegation for strong leadership and coordinated and consistent efforts to obtain our "fair share" of transportation, health, energy, workforce, and education funding.</li> <li>Work with State leaders in promoting federal research funding in such areas as NIH funding for biomedical research, NASA and DOE for nanotechnology and alternative energy research.</li> <li>State legislative leadership needs to pay more attention to high priority regional issues of statewide importance.</li> </ul>



In almost every region there was substantial discussion of fostering and facilitating public-private sector partnerships between universities, federal research institutions, other educational and training institutions, communities, and industries. These were strongly recommended as a high priority for State leadership and policy, and as part of the State's strategy for our federal agenda (see recommendations above). California can be a global leader in emerging industries, create new job and training opportunities, support local and regional economies, and help address critical issues, such as air quality and water and energy conservation.

In addition to developments underway at the State's new major university research centers, some emerging or prospective opportunities cited in the conversations include:

#### Prospective Opportunities Cited in Economic Vitality Conversations

- University of California Santa Cruz Bio-Info-Nano Research and Development Institute (BIN-RDI) – an economic development initiative for the Silicon Valley. UCSC is creating Bin-RDI as a public-private partnership in Silicon Valley's NASA Research Park along with the NASA Ames Research Center and industrial partners to further the economic development benefits derived from implementing an integrated program of research, education, and national policy influence. Other partners include San Jose State University and Foothill-De Anza College.
- University of California Davis collaboration for biotechnology (life science) cluster with McClellan Park and campus Research Park and in partnership with Sacramento Area Regional Technology Alliance and regional economic development partners. This collaboration is intended to promote and drive entrepreneurial growth and attract investment to the greater Sacramento Area region. The cluster includes medical devices, medical diagnostics, bioinformatics, bio-nanotechnology, with several spin-off companies. There is strong involvement with education and training in biotechnology-related fields, through partnering with companies, California State University Sacramento, community colleges, and high schools.
- Tri-ACT – Alliance for Convergent Technologies, exploring opportunities for a Convergent Technology Center for Innovation (bioengineering, nuclear medicine, defense technologies) in the Tri-Valley region. This opportunity emerged from the Tri-Valley Economic Vitality Conversation. Potential partners include Lawrence Livermore National Lab, Sandia National Laboratories, University of California Davis, University of California Merced, the community colleges, and economic development partners.
- Possible collaboration with Central Valley partners through University of California Davis expertise on transportation and air quality and emerging opportunity at University of California Merced to address mobility and air quality challenges.
- University of California San Diego, the biotechnology industry and other partners through the recently funded stem cell initiative.

## NEXT STEPS

The work of the Economic Vitality Conversations will culminate with a meeting of the Cabinet, regional leaders, and partners in order to discuss and advance potential implementation strategies in partnership with the Administration. Many EVC participants strongly recommended a continuation of the Regional Economic Vitality Conversations, to focus on specific issues of priority to the Administration and the regions, to follow up on issues raised during 2004, and reach into additional regions in 2005.

CABINET ATTENDANCE AT REGIONAL ECONOMIC VITALITY CONVERSATIONS		
<i>Conversation</i>	<i>Representative</i>	<i>Agency</i>
<b>Los Angeles</b> <i>March 4</i>	Secretary Sunne Wright McPeak Chief Deputy James Bognet Director Mike Cleary	Business, Trans. & Housing Office of Gov. Schwarzenegger Department of Food & Ag.
<b>Tri-Valley (East Bay)</b> <i>April 22</i>	Secretary Sunne Wright McPeak	Business, Trans. & Housing
<b>Silicon Valley</b> <i>April 23</i>	Secretary Sunne Wright McPeak	Business, Trans. & Housing
<b>Antelope Valley</b> <i>June 4</i>	Secretary Sunne Wright McPeak	Business, Trans. & Housing
<b>San Francisco Bay Area</b> <i>June 11</i>	Secretary Victoria Bradshaw Secretary Sunne Wright McPeak	Labor & Workforce Development Business, Trans. & Housing
<b>Northern San Joaquin Valley</b> (San Joaquin/Stanislaus) <i>June 18</i>	Secretary Michael Chrisman Secretary A.G. Kawamura Secretary Sunne Wright McPeak	Resources Department of Food & Ag. Business, Trans. & Housing
<b>Sacramento Region</b> (El Dorado, Placer, Sacramento, Sutter, Yolo, Yuba) <i>August 4</i>	Secretary Fred Aguiar Secretary Sunne Wright McPeak Undersecretary Barry Sedlik	State & Consumer Services Business, Trans. & Housing Business, Trans. & Housing
<b>Northern Central Coast</b> (Monterey, San Benito, Santa Cruz) <i>September 10</i>	Secretary Thomas Johnson Undersecretary Barry Sedlik Deputy Sec. Crawford Tuttle	Department of Veterans Affairs Business, Trans. & Housing Resources
<b>Central San Joaquin Valley</b> (Fresno, Kings, Madera, Merced, Tulare) <i>September 23</i>	Undersecretary Chuck Ahlem Undersecretary Barry Sedlik	Department of Food & Ag. Business, Trans. & Housing
<b>Orange County</b> <i>September 29</i>	Secretary Victoria Bradshaw Director Lucetta Dunn	Labor & Workforce Development Housing & Community Dev.
<b>San Diego County</b> <i>October 7</i>	Secretary Sunne Wright McPeak	Business, Trans. & Housing
<b>Inland Empire</b> (San Bernardino and Riverside) <i>November 4</i>	Secretary Fred Aguiar Secretary Sunne Wright McPeak Undersecretary Barry Sedlik	State and Consumer Services Business, Trans. & Housing Business, Trans. & Housing

## ECONOMISTS PRESENTING AT THE ECONOMIC VITALITY CONVERSATIONS

<i>Conversation</i>	<i>Economist</i>	<i>Organization</i>
<b>Los Angeles</b> <i>March 4</i>	Jack Kyser, Sr. VP, Chief Economist Christopher Thornberg Senior Economist	Los Angeles Economic Development Corporation UCLA Forecast
<b>Tri-Valley (East Bay)</b> <i>April 22</i>	Joe Hurd Senior Economist	UCLA Anderson Business Forecast Project
<b>Silicon Valley</b> <i>April 23</i>	Doug Henton President	Collaborative Economics
<b>Antelope Valley</b> <i>June 4</i>	Jack Kyser, Sr. VP, Chief Economist	Los Angeles Economic Development Corporation
<b>San Francisco Bay Area</b> <i>June 11</i>	Stephen Levy Director & Senior Economist	Center for Continuing Study of the California Economy
<b>Northern San Joaquin Valley</b> <i>June 18</i>	Michael Locke President & CEO	San Joaquin Partnership
<b>Sacramento Region</b> <i>August 4</i>	Robert Fountain Director	Sacramento Regional Research Institute
<b>Northern Central Coast</b> <i>September 10</i>	Don Perry Senior Economist	CA Labor & Workforce Development Agency
<b>Central San Joaquin Valley</b> <i>September 23</i>	John Lehn CEO	Kings County Economic Development Corporation
<b>Orange County</b> <i>September 29</i>	Anil Puri Dean, College of Bus. & Econ.	California State University, Fullerton
<b>San Diego County</b> <i>October 7</i>	Marney Cox Chief Economist	San Diego Association of Governments (SANDAG)
<b>Inland Empire</b> <i>November 4</i>	John Husing Vice President	Economics & Politics, Inc.



## CALIFORNIA CENTER FOR REGIONAL LEADERSHIP

The California Center for Regional Leadership (CCRL) collaborates with civic and government leaders as they confront the most pressing challenges to California's economy and quality of life. With a focus on innovative regional strategies and state policy reforms, CCRL works with its partners to advance California's economy while securing environmental stewardship, effective civic participation, and economic and social opportunity for all.

### *CCRL's Vision*

The California Center for Regional Leadership works to bring about a more sustainable California, where:

- The standard for thought and action is the recognized interdependence of economic, environmental and social equity goals and strategies, and where this idea is a deeply embedded, broadly supported and well-practiced cultural norm.
- All Californians, leaders from all walks of life and ordinary citizens alike, practice stewardship; that is, we commit to leaving to our children and grandchildren and succeeding generations a better place in all respects than we were given by our forebears.
- The diversity of the people, communities, and regions of the state is seen as an asset; and inclusion and collaboration are the means for finding common ground and settling differences.
- Organizations and leaders are value-based yet pragmatic, entrepreneurial yet systematic, and results-oriented; and a commitment to learning and improvement inspires and guides our public and private sector institutions.
- The people of the state are committed to each other and to the success of the communities and regions in which they live, work, and play; and a new form of civic interdependence underlies the governance of our public affairs.

### *CCRL Board Members*

**David Abel:** Metro Forum Project

**Nick Bollman:** California Center for Regional Leadership

**Christopher Cabaldon:** City of West Sacramento and EdVoice

**David W. Fleming, Esq.:** Latham & Watkins

**Robert Garcia:** Center for Law in the Public Interest

**Dan Mazmanian, Ph.D.:** University of Southern CA, School of Policy, Planning, & Development

**John Perez:** United Food and Commercial Workers, Local 324

**Carol Whiteside:** Great Valley Center

**Julie Meier Wright:** San Diego Regional Economic Development Corporation

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# INNOVATION, INVESTMENT, COLLABORATION

## A STATEWIDE ACTION AGENDA FOR ECONOMIC VITALITY FROM CALIFORNIA'S REGIONAL LEADERS



This report is based upon a dozen Regional Economic Vitality Conversations convened on behalf of Governor Schwarzenegger's Cabinet by the California Center for Regional Leadership and our partners:

Los Angeles Area Chamber of Commerce • Tri-Valley Business Council • Joint Venture Silicon Valley Network • Bay Area Council • Business Council, Inc. of San Joaquin County • Valley Vision • Action Pajaro Valley • Fresno Area Collaborative Regional Initiative • Orange County Business Council • San Diego Regional Economic Development Corporation • Inland Empire Economic Partnership



### ***With additional outreach from:***

Economic Development Alliance for Business • Silicon Valley Manufacturing Group • San Jose/Silicon Valley Chamber of Commerce • Bay Area Economic Forum • Samceda • San Joaquin Partnership • Sacramento Area Commerce and Trade Organization • Association of Monterey Bay Area Governments • Monterey County Business Council • Santa Cruz County Business Council • San Benito County Business Council • Central Coast Partnership • Central California Economic Development Corporation



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